

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 STRE-00 CIAE-00 DODE-00
NSAE-00 NSCE-00 SSO-00 ICAE-00 INRE-00 CTME-00
JUSE-00 AGRE-00 CEA-01 COME-00 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 PA-01 AID-05 SS-15 STR-07
ITC-01 TRSE-00 SP-02 SOE-02 OMB-01 DOE-15 IO-13
OIC-02 AF-10 ARA-10 EA-10 NEA-11 /153 W
-----114881 081449Z /46

O 081424Z JUN 78

FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 6937

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 09027

PASS ELECTRONICALLY USDA FOR ASST SEC HATHAWAY AND STR
FOR AMB WOLFE

E.O. 11652: GDS

TAGS: EAGR, ETRD, OCON

SUBJECT: GRAIN NEGOTIATIONS

1. AT INFORMAL MEETING JUNE 7 OF HEADS OF U.S., EC,
JAPAN AND CANADA DELS, CALLED BY JAPANESE, UKAWA SAID HE
NEEDED GUIDANCE ON KEY ISSUES, ESPECIALLY ON PRICES, IN
ORDER TO INFLUENCE TOKYO DECISIONS. ON WHEAT HE SAID
JAPAN WAS THINKING OF LOWER AND UPPER NOTIONAL PRICES OF
\$80 AND \$200 AT F.O.B. POSITIONS FOR ALL EXPORTERS. EC
(PIZUTTI) SUPPORTED SUGGESTION TO PUT PRICES ON THE
TABLE WITHIN NEXT WEEK AND SAID EC IDEA FOR LOWER NOTION-
AL PRICE IS \$90 ON F.O.B. GULF BASIS WITH ABOUT \$100
BAND. U.S. RESPONDED THAT THERE WOULD HAVE TO BE MORE
PROGRESS ON MECHANISM BEFORE U.S. COULD TAKE POSITIONS ON
PRICE LEVELS. CANADA (MINER) REACTED STRONGLY THAT \$90
BOTTOM, EVEN EXPRESSED AS DISASTER LEVEL NOTIONAL PRICE,
WOULD BE REJECTED BY CANADIAN PRODUCERS. HE SAID CANADA
WOULD NOT AGREE ON NUMBERS BEFORE SEPTEMBER BUT COULD
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DISCUSS MAGNITUDE OF PRICE SPREAD. MINER AGAIN SUGGESTED
THAT NOTIONAL PRICES BE EXPRESSED BY GENERAL LANGUAGE
WITHOUT SPECIFYING NUMBERS. JAPAN SAID IT HAD FLEXIBIL-
ITY TO SUPPORT A WIDE BAND BUT ONLY SO LONG AS THERE WAS
A SPECIFIED LOWER NOTIONAL PRICE.

2. COMMITTEE CHAIRMAN DUNKEL SAID THAT KEY SUBSTANTIVE

ISSUES RELEVANT TO MTN OUTCOME SHOULD BE RESOLVED BY END OF CURRENT SESSION (JUNE 23). HE SAID THAT IF AGREEMENT ON SPECIFIC PRICES NOT POSSIBLE BY THEN, THERE SHOULD AT LEAST BE AGREEMENT ON GENERAL LEVELS OF PRICE POINTS AND ON SIZE OF BAND BETWEEN UPPER AND LOWER NOTIONAL PRICES.

3. ON RESERVES, EC AND JAPAN SAID OVERALL SIZE MUST BE DETERMINED BY DECISION ON PRICE BAND AND BY AMOUNTS COUNTRIES ARE WILLING TO STOCK. JAPAN SAID THEY WOULD ACCEPT STOCKS COMMITMENT OF 700,000 TONS AS RESERVE SHARE PLUS WORKING STOCK LEVEL OF ONE MONTH CONSUMPTION.

4. DUNKEL MADE FOLLOWING SUGGESTION ON WORK PROGRAM WHICH FOUR DELS ACCEPTED:

- A. DRAFTING ON WHEAT PRICE PROVISIONS, COARSE GRAINS, AND STOCKS TO BEGIN JUNE 7 AND 8.
- B. INITIAL DRAFTING TO BE REVIEWED BY FULL COMMITTEE JUNE 9 AND 12 FOR FURTHER DRAFTING.
- C. HEADS OF DELEGATIONS WILL MEET JUNE 15-16 TO TAKE DECISIONS ON DRAFT TEXTS.
- D. DRAFTING OF FINAL ARTICLES WOULD BE DONE WEEK OF JUNE 19.

5. IN SUBSEQUENT DISCUSSION OF EC AND JAPANESE COMMENTS ON PRICE WITH OTHER EXPORTERS, AUSTRALIA AND ARGENTINA ALSO REJECTED \$80-90 NOTIONAL PRICE AS TOO LOW AND SUP-CONFIDENTIAL

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PORTED CANADIAN SUGGESTION THAT FOUR EXPORTERS COORDINATE POSITIONS ON PRICE BAND AND TRIGGER POINTS BEFORE DISCUSSING WITH OTHER COUNTRIES. ARGENTINA COMMENTED THAT

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FM AMEMBASSY LONDON

TO SECSTATE WASHDC IMMEDIATE 6938

C O N F I D E N T I A L SECTION 02 OF 02 LONDON 09027

FOCUS SHOULD BE ON INNER STABILIZING BAND AND SUGGESTED THAT TRIGGER POINTS FOR STOCKS ACCUMULATION AND RELEASE BE \$130/140 AND \$200/210 IN TERMS OF BASKET INDICATOR. ARGENTINA ALSO URGED THAT NOTIONAL PRICES BE REPRESENTED ON INDICATOR SCALE TO AVOID POSSIBILITY OF DEFINING LOWER AND UPPER NOTIONAL PRICES IN TERMS OF LOWEST AND HIGHEST QUALITY WHEATS RESPECTIVELY, A DEFINITION WHICH WOULD BE UNACCEPTABLE TO ARGENTINA IN THAT IT WOULD IGNORE FREIGHT DIFFERENTIALS. MINER (CANADA) STRESSED NEED FOR EXPORTERS TO COORDINATE ON FITTING THEIR RESPECTIVE NATIONAL SYSTEMS INTO THE INTERNATIONAL ARRANGEMENT. HE STATED CONCERN THAT EC AND JAPAN WERE AIMING TO DEFINE NOTIONAL PRICES IN TERMS THAT WOULD IMPLY CONSTRAINTS ON EXPORTERS TO ADJUST NATIONAL SYSTEMS, I.E., CHANGE OF CANADIAN INITIAL PAYMENT OR U.S. LOAN RATE. ON STOCK ACCUMULATION PRICE HE SAID CANADA WOULD LIKE A LEVEL RELATED TO ITS 3.55 DOLLAR HOME PRICE.

6. AUSTRALIA (MCGOLDRICK) RAISED CONCERN, SHAREE BY ARGENTINA, THAT OPERATION OF U.S. FARMER-HELD RESERVE
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COULD PREJUDICE INTERNATIONAL ARRANGEMENT BY PERMITTING LARGE SELL-OFF OF U.S. STOCKS WHILE OTHER EXPORTERS WERE COMPELLED TO HOLD STOCKS OFF MARKET. HE ASKED FOR CONSULTATIONS WITH U.S., AND TO SOME EXTENT WITH CANADA, ON ISSUE OF COMPATIBILITY BETWEEN NATIONAL SYSTEMS AND INTERNATIONAL ARRANGEMENT.

BREWSTER

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